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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

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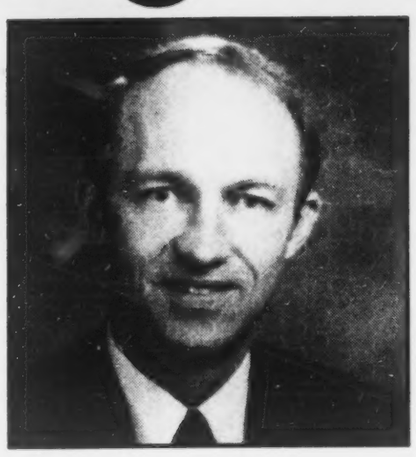
Caldor Going Public to Cut Debt

NORWALK, Conn. — The Caldor Corp. hopes to sell nearly 2.8 million shares of common stock at an anticipated price of between $17 and $19 per share, according to a registration statement filed in mid-March. The chain expects to raise $46 million from its public offering and would use the money to retire debt incurred, in part, when Caldor was purchased from The May Department Stores Co. two years ago.

A total of 4.15 million shares would be up for sale, nearly 1.4 million shares by current stockholders.

An additional $1.4 million could be generated if selling stockholders exercise warrants to purchase about 441,000 shares of stock.



Don Clarke

Marc Balmuth

The registration statement, filed with the Securities and Exchange Commission March 18, noted that Caldor plans to use $41 million of the proceeds to repurchase $40 million of its senior subordinated notes, and to use about $5 million to reduce borrowings under its credit agreement.

If completed, Odyssey Partners, L.P., the New York-based leveraged buyout firm, would maintain majority ownership with 35.1% of stock; the public offering would represent 30.7% of total shares outstanding; Donaldson, Lufkin & Jenrette would control 12.8%; May Funding 9.1%; Caldor management 9.0%; and the remaining 3.3% would be distributed to warrant holders, noted a Caldor spokesman.

The extensive document revealed that the regional discounter has been successful in boosting its sales and income since its purchase by Odyssey from the May company in October 1989. The chain's income (before taxes and interest expense) rose from $39 million in 1987 to $80 million in 1990. Same store sales for those years grew at an average of 5.3% per year. Key to this improved performance is Caldor's remodeling program.

Sales at remodeled stores during their first six months in operation were up 10.7% compared with same store sales increases of 4.5% at other locations. Caldor projects that the remodeled stores will each average $23 million in sales this year, while unchanged units are expected to generate $15 million each, according to the registration statement. Currently 21 of the chain's 122 stores have been remodeled. The document further states that future plans include 12 remodels each year at a cost of $1.2 million for each unit.

A focus on soft lines was also mentioned as aiding the chain's profitability. Gross

(Continued on page 26)

Best Projects $1.7B in Sales in '91

Chain Expects $46.5M From Operating Income

By Arthur Markowitz

RICHMOND, Va. — Best Products' initial projections for its operations this year, while it develops a bankruptcy reorganization plan, foresee $1.7 billion in sales and operational earnings of $46.5 million.

President Stewart Kasen told creditors Best expects to end 1991 with $242 million in cash and $502 million in inventories, the latter "$58 million increased from the depressed level at year-end 1990."

He said that "more than 835 vendors—out of a vendor base of 900 companies—have agreed to ship to us on terms, and the number continues to grow. Inventories receiving for February were $60 million, and we anticipate March receivings will be well above $100 million."

The cataloger has been sending out semi-monthly analysis on its financial position and business activities, along with decisions handed down by the U.S. Bankruptcy Court for the Southern District of New York, which is overseeing Best's Chapter 11 proceedings.

Best's projected 1991 sales would be a 5.3% drop from its estimated 1990 volume of $1.8 billion and a 16.8% plunge from 1989's actual $2.1 billion in sales. This year's operational earnings (before depreciation, amortization, interest and taxes) are expected to be a 17.9% jump from 1990's projected $39.4 million in operational income, but a 65.8%

(Continued on page 23)

New Owners Revamp Child World

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— With the d to WC Ac- ed to be com- w weeks, the planning a iew of the rototype, in- nd financial

ne work will start," said W. John Devine, a partner in WC Acquisitions with Ronald Tuchman, both former senior executives with Toys "R" Us, the Paramus, N.J.-based industry leader.

The "work" includes revisions in the prototype and the beginning of a chainwide renovation program.

In the near term, however, Child World's new owners will concentrate considerable effort on completing the purchase, paying vendors and replenishing inventory levels.

WC Acquisitions is expected to complete the purchase of 182 Child World toy stores by the end of April, a move that for now at least saves the chain and the toy industry from another Chapter 11 bankruptcy filing.

Child World owes about $325 million to its banks and trade creditors.

Under terms of the sale, WC Acquisitions will acquire in a non-cash transaction the 82% equity in Child World held by its former owner, CNC Holdings, but will retain only 78% of it. WC Acquisitions also will assume $60 million in long-term subordinated

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***Children's apparel** is one of the departments that has had a reduction in selling space in Clover's smaller prototype.* (DSN photo)

New Clover Prototype Ideal for Smaller Areas

By Richard C. Halverson

LANSDALE, Pa. — Clover has opened a new smaller prototype store designed for less populated markets.

At 70,000 square feet, the prototype, which opened last month outside this town north of Philadelphia, runs about 18% smaller than Clover's standard 85,000 square feet. But in layout, the new unit is identical to its larger cousin, said Warren White, general manager of Clover, the discount arm of Strawbridge & Clothier.

The number of offerings has been cut by about 5%. The new prototype also eliminates a couple of checkouts and reduces storage space, White said.

Departments around the perimeter of the store, such as shoes, sporting goods and toys "remain pretty much the same," a Clover merchandiser said. Much of the selling space reduction comes in departments within the center or the racetrack, children's and junior apparel, domestics and home decor.

The new store is Clover's 25th. It will be the only new

(Continued on page 26)

MARKETWATCH

Wal-Mart Eyes $1B Unsecured Debt Issue

BENTONVILLE, Ark. — Wal-Mart has filed a shelf registration with the Securities and Exchange Commission to raise up to $1 billion of unsecured debt. The funds would be used for working capital and to repay short-term debt, which currently totals about $756 million. The move would enable the discounter to swap short-term borrowing for long-term debt at lower interest rates, although the length of the debt securities and their interest rates still have to be set.

Court Stops Sears From Issuing Visa Card

DENVER — A federal appeals court here has temporarily upheld a Visa U.S.A. request to stop Sears from launching a Prime Option Visa card. The court still has to rule on the basic issue of the case, whether Visa U.S.A. membership requirements can legally prevent Sears from issuing the card or whether the bank card association's rules violate federal and state antitrust laws. A lower court last month had ruled that Sears can issue the Visa card (see *DSN*, March 18, page 2), but Visa U.S.A. appealed that decision.

Service Merchandise Cuts Debt

BRENTWOOD, Tenn. — Service Merchandise has increased to $52.8 million from $41.2 million the prepayment made on term loans due in 1995. The debt is the $50 million (and interest) balance of the $140 million real estate bridge loan that was part of the cataloger's $975 million recapitalization in July 1988. The company prepayed the term loans, rather than its secured term loan, to reduce interest expenses by eliminating higher cost debt. The move, part of the cataloger's drive to cut recapitalization debt as quickly as possible, was agreed to by its leading lenders.

Auchan Sells Hypermarket, Exits Chicago

CHICAGO — Auchan, the French hypermarket retailer, has sold its modified hypermarket in Chicago's Bridgeview suburb to focus on its traditional full-line prototype used in Houston. While the Bridgeview Auchan produced over $70 million in sales, it didn't include an apparel section. Auchan has one hypermarket in Houston and asserts it will use that format to expand in Texas and the southern United States.

It's No. 2 For Ikea In Metro New York

HICKSVILLE, N.Y. — Ikea, the Swedish home furnishings retailer, opened its first New York state store in this Long Island suburb March 20. The metro New York area is the only market with two Ikea outlets, the other being in Newark, N.J. The 226,000-square-foot store's new features include a new traffic flow pattern and a custom couch department with a delivery service called Ikea Custom Sofas. The retailer also debuted Ikea-brand bed linens in sizes that fit American beds.

Deaf Can Now Read ShopKo TV Ads

GREEN BAY, Wisc. — ShopKo has introduced closed captioning for all of its commercials, enabling deaf and hearing-impaired viewers to understand the ads. Closed captions are subtitles that are visible only to viewers who have a decoder attached to their televisions, or whose televisions have such a decoder built-in. There are 300,000 households in the U.S. with decoders.

A First, Hills DIP Financing Rated 'A'

CANTON, Mass. — Fitch Investors Service, an independent financial rating service, has give an "A" rating to Hills' $250 million Debtor-In-Possession facility from Chemical Bank. This rating marks the first time Fitch has ever rated a DIP facility. Hills filed for Chapter 11 bankruptcy Feb. 6.

Prange Way Launches Own Credit Card

GREEN BAY, Wis. — Prange Way has launched its own credit card, using General Electric Capital Corp. as the outside financing administrator. President Larry Sommer said the regional chain expects to sign up 100,000 accounts and build the credit area into a profit center. There wouldn't be any charge for the card, which will carry an annual 18% fee. Billing envelopes will be used for advertising special promotions, while the discounter would accept mail order inserts from vendors. The chain currently accepts Visa, MasterCard and the Discover Card.

Jamesway Refinances, Shuts 11

SECAUCUS, N.J. — In an effort to strengthen its financial position, Jamesway Corp. has secured a $40 million refinancing agreement and will close 11 unprofitable stores.

These decisions were announced at the same time the retailer released fourth quarter and year-end financial results, posting a loss in earnings for both periods.

Herb Fisher, chairman and chief executive officer, blamed the fourth quarter results on "a store closing reserve, a LIFO charge, a 4% comparable store sales decline, the cost of increased promotions and the overall difficult retail environment."

Following the store closings over the next 80 days, Jamesway will operate a total of 123 stores.

The two-year revolving loan agreement was signed with a group of banks including Marine Midland, First Fidelity and Harris Trust.

Despite the chain's difficulties, industry analysts maintained that, unlike many retailers, Jamesway has had very little in the way of long-term debt, a situation that bodes well for the chain's future.

Sales reported for the fourth quarter were $275.3 million compared with $287.5 million for the fourth quarter ended February 2, 1990.

For the 1990 fiscal year (ended February 2, 1991), the company reported a net loss of $17.6 million or $1.28 per share, which includes a provision for store closings of $11 million or $0.08 per share as well as a credit to income of $3.7 million or $0.27 per share from a change in accounting for income taxes.

Year-end results also included a LIFO charge of $4.3 million or $0.31 per share. Last year, the company reported net income of $5.8 million or $0.01 per share.

Fisher said the savings resulting from the store closings as well as tighter inventory controls, the refinancing and a new management team, "places us in an excellent position to return to profitability in the coming fiscal year."

The chain is still operating without a president, but had appointed a number of executives in the last few months.

In the midst of this news, Jamesway opened a new store in Rio Grande, N.J., March 22, one day after its initial announcement of the closings.

Herb Fisher

A spokesman for the retailer said the announced closings would not affect future plans for store openings.

Other plans will continue on schedule as well. Jamesway also plans to have universal point of sale scanning in place in all its stores by the end of April.

In a letter to its vendors and factors announcing these moves, Kevin Regan, executive vice president, noted that the retailers balance sheet remains strong, as the company is not highly leveraged.

"Our inventory position at year-end declined, even though we increased our number of stores from last year. This year we have $192 million of merchandise on hand servicing 134 locations versus $207 million last year servicing 130 stores," he said.

Jamesway also operates two My House housewares and domestics stores. The retailer does not break out sales separately for the My House division, but reported the closings would not affect the housewares' division's operations.

Jamesway Store Closings

State	City
New Jersey	Hamilton Township
Pennsylvania	Sinking Springs Cornwells Heights Whitehall Shamokin Bethlehem Lancaster
Delaware	Wilmington
Maryland	Aberdeen
Virginia	Elkton
New York	Rotterdam

Source: Jamesway Corp.

Vote for Discounter of the Year

It's time again to sharpen up your pencils and vote for the top discount executive of the year (see ballot on page 24).

This year's roster of nominees is among the most impressive ever, encompassing leaders of major discount chains, a wholesale club, and two specialty operations.

Nominations are made on the basis of profitable performance during the past fiscal year, leadership, and impact on the industry. The nominees are:

- **Bernard Brennan**, chairman, president, ceo, Montgomery Ward.
- **Don Clarke**, chairman, ceo, Caldor.
- **David Glass**, president, ceo, Wal-Mart.
- **Monroe Milstein**, president, ceo, Burlington Coat Factory.
- **James Sinegal**, president, ceo, Costco.
- **Thomas Stemberg**, chairman, ceo, Staples.

Deadline for ballots is May 1.

The winner will be honored at the annual SPARC (Supplier Performance Award by Retail Category) banquet on August 11 at the Downtown Marriott, Chicago.

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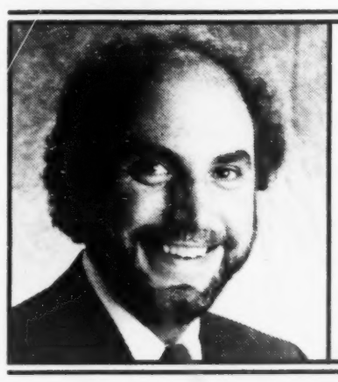
EDITORIAL

Retailing's Future is Now in Dallas

Have you ever wondered what the world of retailing would be like dominated by the megachains?

Then just take a trip to Dallas where the future is now.

This bustling city is a perfect example of the trend that many retail analysts and observers have predicted for several years—a market dominated by the giant retailers in almost every segment of the industry.



TONY LISANTI
Editor

As you drive around the LBJ Freeway, it won't take you long to notice that Wal-Mart, Kmart and Target—along with every giant fast food and dinner house chain—are everywhere. The Big Three operate about 80 stores throughout the Metroplex. Only six or seven years ago, several other discounters such as Woolco, Treasure City, Gibson's, and TG&Y had operated stores in the Dallas market. Among specialty discounters, Toys "R" Us, Home Depot, Western Auto, Marshalls, Pier 1 and Circuit City dominate. Even the department store sector is dominated by giants—Foley's and Dillard's as well as Neiman-Marcus and JCPenney, which are both headquartered here.

Dallas is also an example not only of the polarization in society but the polarization in retailing as well. There are two classifications of retailing in Dallas—high end and mass market. Both are dominated by the big chains, while small mom and pop retailers, which are clustered around them in small strip centers, continue to fight for survival.

Major chains dominate retailing in this formerly depressed market. It has become a virtual shopper's paradise. The Metroplex has it all—style, fashion and value.

This is the harsh reality of retailing. It's been predicted for years and it's occurring not only in Dallas but in other major cities as well.

The fact is that this consolidation and polarization have not affected the viability of the marketplace, the availability of products, or consumer's pursuit of a good buy.

Dallas is a shopper's market; a virtual paradise of stores ranging from the ritzy Galleria to Sam's Club. (And I'm willing to bet that their customers overlap!) The Metroplex has it all—style, fashion and value.

So, when all the analysts and observers predict a retail industry dominated by the giant chains, why is it that their comments are generally tinged with an overview that can be summed up as doom and gloom? Why do some observers believe that dominance by giant retailers will cause turmoil in the industry? Why do others predict the demise of the mass market?

Frankly, that's not happening. Despite the dominant market share of the giant retailers, the Dallas retail market, in deep recession just a few years ago, is thriving, albeit intensely competitive. Customers have their favorites and it's not for obvious reasons, such as price and selection, but for reasons such as how long a drive to a particular store, which side of the highway the store is located on, and what time the store opens or closes.

Meanwhile, a whole new breed of niche retailers is emerging to satisfy consumer needs not fulfilled by the giant retailers. And by the year 2000, several specialty concepts will probably grow into strong regional chains. And so the cycle of retail development will start over again.

If you haven't been to Dallas recently, it's definitely a market worth studying. *DSN* will profile it in its April 15 issue in conjunction with its pre-convention report on the International Mass Retailing Association's annual convention which will be held in Dallas May 4 to 7.

IMRA's annual event, which has several excellent seminars on the program, is certainly worth attending, and it offers the opportunity to visit a hotbed of retailing as well.

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As usual, all letters may be edited for reasons of space or clarity. Discount Store News cannot consider unsigned letters, but will withhold names on request.

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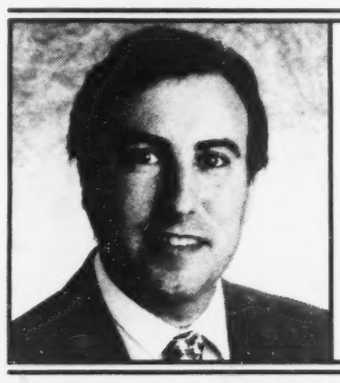
BUYERS & SELLERS

Check Out Checkout Merchandising Findings

Call it the Catch-22 of retailing. You want customers to purchase those Lifesavers, *TV Guides*, yo-yos, Sensor razor refills, Topps baseball cards and Butterfingers that you stack all around the checkout area of your stores. But, at the same time, you want customers to be able to pay for their purchases and get out of the store as quickly as possible.

There's even a better than 50/50 chance that minimizing waiting time at checkout may be one of the primary goals of your chain as you attempt to upgrade the shopper's experience. And, you may already be spending millions to upgrade your point-of-sale systems with automatic price look-up, electronic scanning of bar codes and on-line or satellite credit authorization.

So, if your shoppers are buying more at the checkout, are you making them wait too long in line? Are you souring them on making a future visit to your store?



DON LONGO
Exec Editor

Long checkout lines build sales but no lines build even more sales. So, what is a retailer to make of strong sales performance at the checkout counter?

In a recent, exclusive survey of discount store shoppers, *DSN* found that one in every 12 shoppers (8%) at a discount department store made a purchase while waiting on line. The percentage of shoppers making a purchase increased as the wait on line got longer. For example, only 3% of shoppers who had one person ahead of them when they rolled their cart into the checkout made a purchase. With two persons ahead of them, 5% made a purchase; with three persons, the percentage rose to 10%.

Ironically, when the shopper is alone at the checkout, she is *even more likely* to make a purchase. Twelve percent of the shoppers who had no one ahead of them when they went to the checkout, reported making a purchase from that area of the store. The impulse to buy is greatest when the shopper feels free to peruse the offerings without having to worry about what's going on with the person ahead of her.

So, what's a retailer to make of strong sales performance at the checkout counter? Are lines moving too slowly? Or, is business so bad that no one has to wait on line at all?

Obviously, checkstand sales is a high-margin business and every retailer should want to maximize results from this often-overlooked area of the store.

Discount Store News will publish the complete results of this exclusive Checkout Merchandising study, conducted by Leo J. Shapiro & Associates, in its April 15 issue. The complete study will also identify the best-selling items at the checkout and analyze the checkout performance of the discount industry's three largest chains, Wal-Mart, Kmart and Target.

So, check out Checkout Merchandising.

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HOME PRODUCTS

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Recession Jars Home Canning

New Products, Soft Economy Foster Rebirth

By Mary Ellen Kelly
Nationwide DSN Report

The environment, health, and nutrition.

These buzzwords of the '90s, coupled with the current economic downturn, have fostered the rebirth of the home canning and food preservation market.

Certain parts of the country, including the Mountain and Central states, always have been home to the consumer who "stocks up for the winter." But, concern about what pesticides and additives are used in commercially packaged foods is prompting others to cultivate their own produce and package their surplus harvest.

In response, full-line discounters, including Wal-Mart and Kmart are said to be re-evaluating their commitment to the category for this autumn's selling season, and may give home canning equipment and supplies more shelf space. Most manufacturers believe 1991 will be a year of about 20% growth.

Roughly 80% of all U.S. households are involved to some extent with lawn and garden activities; of this population, nearly one quarter—or 18 million households—currently are involved in some variety of food preservation, according to Bruce Butterfield, research director with the National Gardening Association.

He expects to see food preservation climb by over 6% during 1991, in conjunction with an increase in the number of households with a vegetable garden. Roughly 30 million homes had a vegetable garden in 1989; 34 million grew their own produce in 1990. A small rise in the number of households with a vegetable garden is anticipated for 1991.

The current economic downturn is expected to cultivate the home grower and canner market.

"Historically, over the past 20 years, peaks in both gardening and canning have taken place during times of economic recession," he said. The two peaks during the past two decades occurred in 1981 when the soft economy was punctuated with the stock market crash, and in 1975, during the oil embargo when gardening reached an all-time record, Butterfield explained.

Bill Beesley, president of Back to Basics, Sandy, Utah, said the economic condition of the country and the war in the Persian Gulf have boosted sales of the firm's food processors and preserving devices.

"Basically, crises makes people want to be prepared in the form of water storage, food storage. During the month after the war started, for example, we sold 3,000 grain grinders. Our business is a reverse barometer of consumer confidence," he said.

Unlike most of the manufacturers specializing in food preservation supplies, Back to Basics has brought to market a number of items that are not home canning items, but sell to the same type of consumer.

Home Canning and Food Preservation on the Rise

	1990	1991 (projected)
Canning	16%	—
Freezing	18	—
Food Processing	3	—
Drying	1	—
Total Category	24%*	30%

*Total does not duplicate the number of households involved in more than one food preserving technique.
Base: The 80% of all U.S. households involved in lawn or garden activities
Source: National Gardening Association

New tomato and pickling mixes plus a newly released educational video from Ball Corp., Muncie, Ind., are enticing new customers.

Among these items are the grain grinder, a non-electric breadmaker (dough kneader), and an apple/potato peeler. Other products expected to be introduced within the next year or so are a seed sprouter and a non-electric food dryer.

Beesley forecasts a 20% rise in sales this year; sales have been up about 20% each year for the past several years.

Another manufacturer developing new sales of its basic canning equipment as it stimulates sales of canning veterans is industry leader Ball Corp., Muncie, Ind. New, easy-to-use mixes were launched last year as part of an extensive two-year new product campaign. Among the new mixes were six designed for the home gardener with a surplus of tomatoes. Premixed seasonings were available for everything from tomato sauce to ketchup. Seven pickling mixes were also launched.

Dave Trimbur, Ball product manager, said the company has had an increase in the number of recreational canners. Looking to build the number of young people involved in canning, Ball completed a new 30-minute video on home canning basics that is now available to schools.

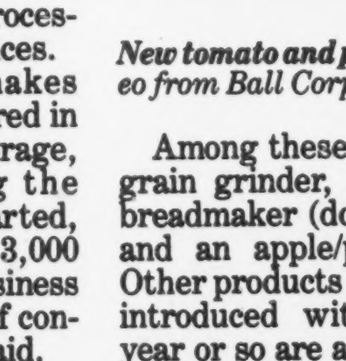
Not all sales of jars designed for home canning end up being used for long-term food preservation. Mark Myers, sales manager with VMC, Reynoldsburg, Ohio, said he thinks a large number of the firm's Le Parfait preserving jars are ultimately used for decorative storage or for cold-pack storage for short-term use.

While VMC has worked primarily with specialty stores like Crate & Barrel in the past, Myers said he has found full-line discounters to be increasingly receptive to the category. This receptivity, coupled with expanded business with specialty chains, is expected to double VMC's U.S. sales volume this year, Myers said. Nearly 40% of VMC's U.S. sales consist of preserving jars, compared to 30% of international sales volume. The worldwide market has dropped somewhat in recent years, but U.S. business continues to climb. Last year, U.S. sales of Le Parfait jars were up 13%.

While most vendors reported strong sales last year and double-digit gains for 1991, makers of higher ticket products are in a lull. Warren Wind, vice president of direct mail supplier Glashaus, Arlington Heights, Ill., said sales have been level recently.

SOUND BYTES

Mass Market CE: The New Reseller



PETE HISEY
Senior Editor

It's been several years now, and the personal computer, which was supposed to become the next VCR, is still a fairly esoteric, business-only device. Remember the stories back in the late '70s that within a decade, every American home would feature a computer that would become the center of the household, bringing in electronic newspapers, turning on the microwave oven, setting the thermostat, automatically taping your favorite shows, offering stock quotes, and so on?

Except for a relative handful of U.S. homes, that never happened. And, it probably won't. The average American just isn't interested in those so-called consumer applications of computer technology. But that doesn't mean that he or she isn't interested in computers. At the right price, a computer has many home business applications that even those not working out of the home desire.

And, according to most industry sources, the price is rapidly getting right. Most CE retailers pinpoint computers and accessories (particularly printers, supplies like ribbons and diskettes, and computer furniture) as major growth areas. Deep discounters like The Soft Warehouse and office supplies chains like WORKplace and Office Depot are making major statements in the business. And, finally, the big two manufacturers, IBM and Apple, are looking at the mass market as primary routes for their products.

That newfound interest is in direct proportion to declining interest in the traditional reseller market. Growth in the computer category is changing over from specialized users demanding intensive service to general users demanding low prices and ease of use. Resellers, like Businessland, have not reacted; discount specialists have.

Full-line discounters are now entering the market (Wal-Mart, as usual, has a significant early lead in understanding this complex business), and they will bring even further price pressure to bear on traditional resellers. In the not-to-distant future, the market will almost certainly split into business-to-business and consumer channels. And that will probably leave resellers somewhere in the middle.

The consumer boom in computers is almost a certainty; ironically, the distribution channel that first brought computers to the American home might not be around to enjoy it.

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Clover Opens Downsized Prototype

(Continued from page 1)
store for 1991, but the chain expects to open two in 1992.

Peter Strawbridge, president of Strawbridge & Clothier, said during a grand opening interview that Clover has filled in the inner perimeter of the eight-county market around Philadelphia.

"The smaller stores are designed for less-dense markets on the outer periphery," Strawbridge said.

The smaller store will require about 160 employees, compared to about 225 for a full-size store. Clover is retaining the full-size prototype for appropriate markets.

In sporting goods, Clover has squeezed in six activewear apparel four-way racks to display merchandise such as 100% basic cotton T-shirts from Lee. For the grand opening, the on-ad price was $3.99, down from $5.99 everyday.

New Racking is Added

The new racks reflect more concentration on sporting goods apparel, said Jeff Gleiser, divisional merchandise manager for sporting goods and other hard lines.

Also in apparel, Clover is continuing efforts to upgrade apparel, taking on more of the same lines that Strawbridge & Clothier carries, such as Object D'Art cotton sweaters for juniors at $24.99, or about 25% less than at its department store parent.

Clover expects the new store will somewhat cannibalize sales at its existing store at Center Square, about a 15-minute drive away.

The closest discount store competition now is from an older Ames store in Lansdale, about six miles away.

Bradlees is the major competitor in the market that Clover dominates, said Terrence McEvoy, analyst for Janney Montgomery & Scott.

"The smaller store will be more productive," he said.

As a family controlled, though public corporation, Strawbridge & Clothier refuses to break out Clover's sales and operating profits. But McEvoy estimates that 1990 sales rose 3% to around $400 million to $425 million. Because Clover opened only one store last year, same store sales gains were about the same as total sales.

Along with profits of its department store brethren, Clover's operating profits plunged last year to $15 million, McEvoy estimated. Clover's operating profit margin was about 3.6% of sales in 1990, he said.

Last year was an especially difficult one. But the analyst expects Clover to rebound this year.

For Strawbridge & Clothier as a whole, net profit margin was about 1.8% in 1990, McEvoy said. He estimates that net profits skidded to about $2 a share in 1990 from $3.41 per share in 1989.

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WC Acquisitions Plans to Restructure Child World

(Continued from page 1)
debt CNC owes First Executive Corp., a Los Angeles insurance company.

CNC will get back a 4% stake in the chain and assume $30 million of the $135 million short-term senior bank debt the toy chain owes its banks.

Holders of Child World's approximate 2 million publicly held shares, or 18% of total equity, will get $2 per share.

The deal will also result in Child World vendors holding a 5% equity in the chain.

Child World's banks have committed $143.3 million in ongoing and new credit, including $100 million to finance the chain's inventory needs. The banks will have the opportunity to acquire a portion of the chain's equity and subordinated debt "in lieu of certain facility and restructuring fees," the company said.

The financing allows Child World "to operate through the next two Christmases," said Devine, noting that the chain now has more liquidity than it has had in years.

The sale and cash infusion will mean that all vendors, not just ones owed less than $100,000, will be paid back in full. Vendors with claims over $100,000, however, will be paid on a schedule:

- 63% of a vendor's outstanding balance will be paid back by November with at least 30% of it paid at closing;
- 7% will be paid within 30 days of the late April closing;
- 26% of the outstanding balances will be paid between August and November;
- 26% will be paid out in cash over five years;
- 11% will be paid with a 12-year debenture, which, subject to compliance with legal requirements, would be convertible into 5% of the acquiring firm's common stock.

Vendors with claims under $100,000 will be paid in full prior to the sale closing date.

"With this deal behind us, we are ready to get down to the business of rebuilding Child World," said Devine.

Rebuilding Child World includes refining the chain's prototype, a project Devine and Tuchman have been working on since February when they were retained as consultants.

Store characteristics under review are gondola height, sku count and making the store "more user-friendly," said Devine. He called Child World's Framingham, Mass., store "fascinating" and a "step in the right direction."

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Vol. 30, No. 7 April 1, 1991

Caldor Going Public to Cut Debt

(Continued from page 1)
margins for sales of soft lines are roughly 36%, compared to 26% in hard lines. Soft lines sales have risen from 27% of total sales in 1986 to 32% of sales in 1990, and the chain hopes to increase soft lines to 35% of total revenues by 1993.

In addition to the remodels, an aggressive expansion agenda was suggested: four new stores in 1991, six stores in 1992 and 8 to 10 units per year from 1993 to 1995. The total expansion bill was estimated to average $45 million per year.

The expected growth in the store base would require the opening of a second distribution center within five years; the North Bergen, N.J., DC, which was expanded in 1989, currently stocks all stores.

Mead

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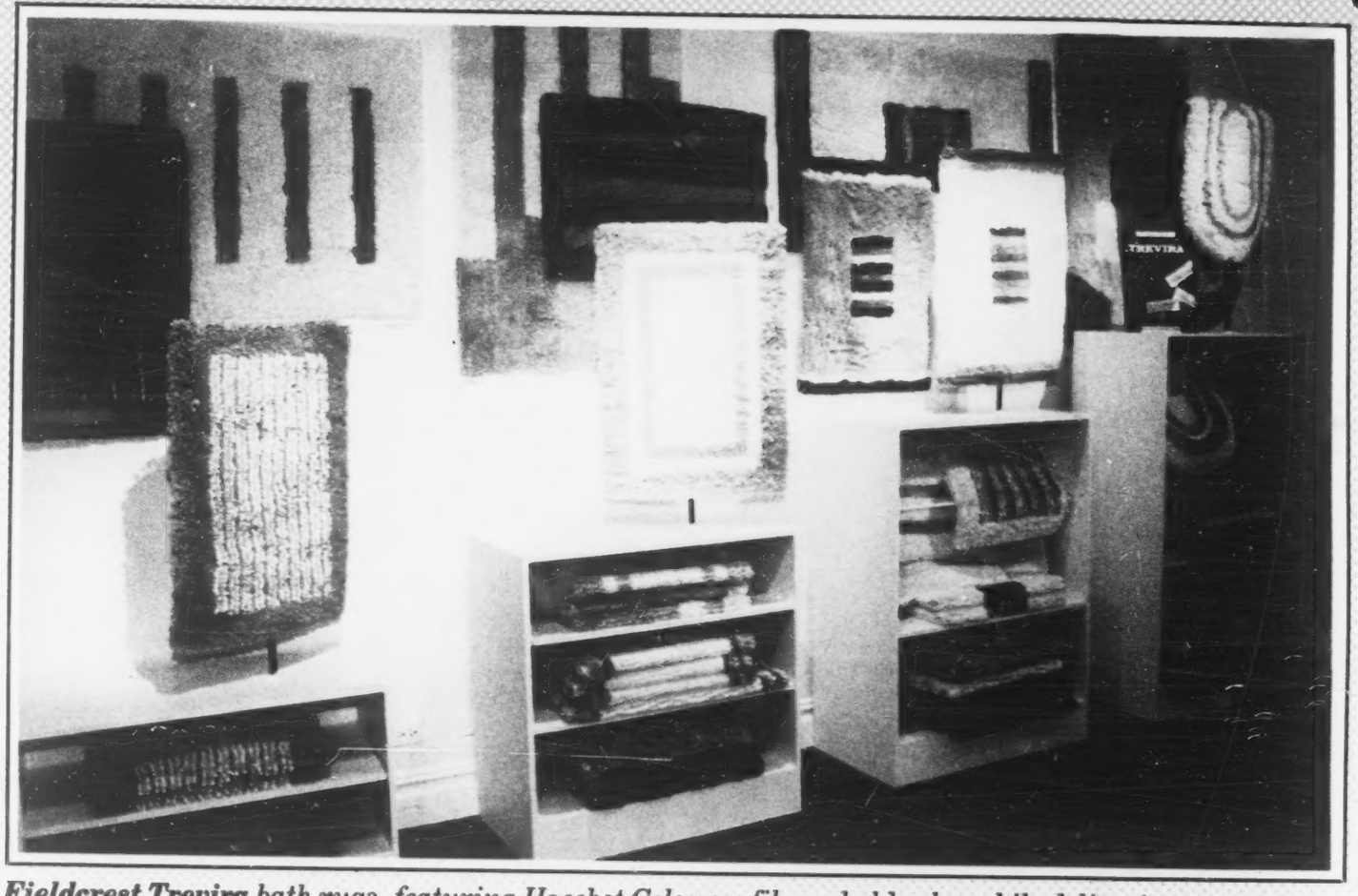
New Emphasis on Rugs



***Fieldcrest Trevira** bath rugs, featuring Hoechst Celanese fibers, hold color while delivering a good hand.*

New fibers for bath rugs and other accessories drawing remodeling dollars to mass merchants

By Faye Brookman

As millions of Americans hop out of their showers every day, chances are they are stepping onto a higher-quality bath rug than they would have just five years ago.

Today's new emphasis on the bath has had a positive impact on the $500 million (retail sales) bath rug business as customers seek richer, more luxurious rugs to pamper their soles and to complement upgraded bathroom decors. As one supplier aptly put it: "Who wants a cheap $2.99 rug next to a Roman soaking tub?"

The current state of the economy suggests that consumers will continue to turn to accents such as bath rugs and shower curtains as a method to give a fresh look to bathrooms.

"It's more economical to update with accessories," said Victor Powell, marketing manager, floor coverings at Hoechst Celanese Corp.

Recent *HomeMarket Trends* research paints a bright picture for bath rugs—73% of those redecorating their bathrooms indicated they would be in the market for a new bath rug this year.

Discounters plan to take advantage of the demand by making rugs more visible in their stores. At Kmart's newest format, for instance. the bath departn repositioned closer to the front of the store.

At Ames, bath mats are also highly visible to capture consumer interest. "Indeed," said Robin Stuart, bath buyer, Ames Department Stores, "the business is driven by replenishment and impulse."

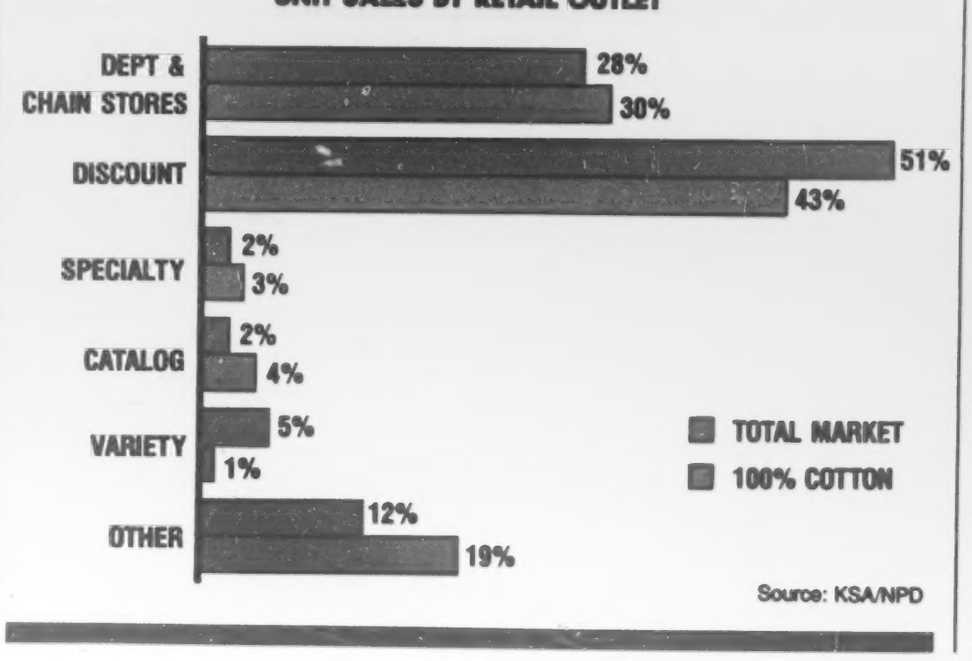
Despite the promising news, the bath rug industry is in the midst of a rampant consolidation. Most recently Springs announced plans to acquire another major player in the business, C.S. Brooks.

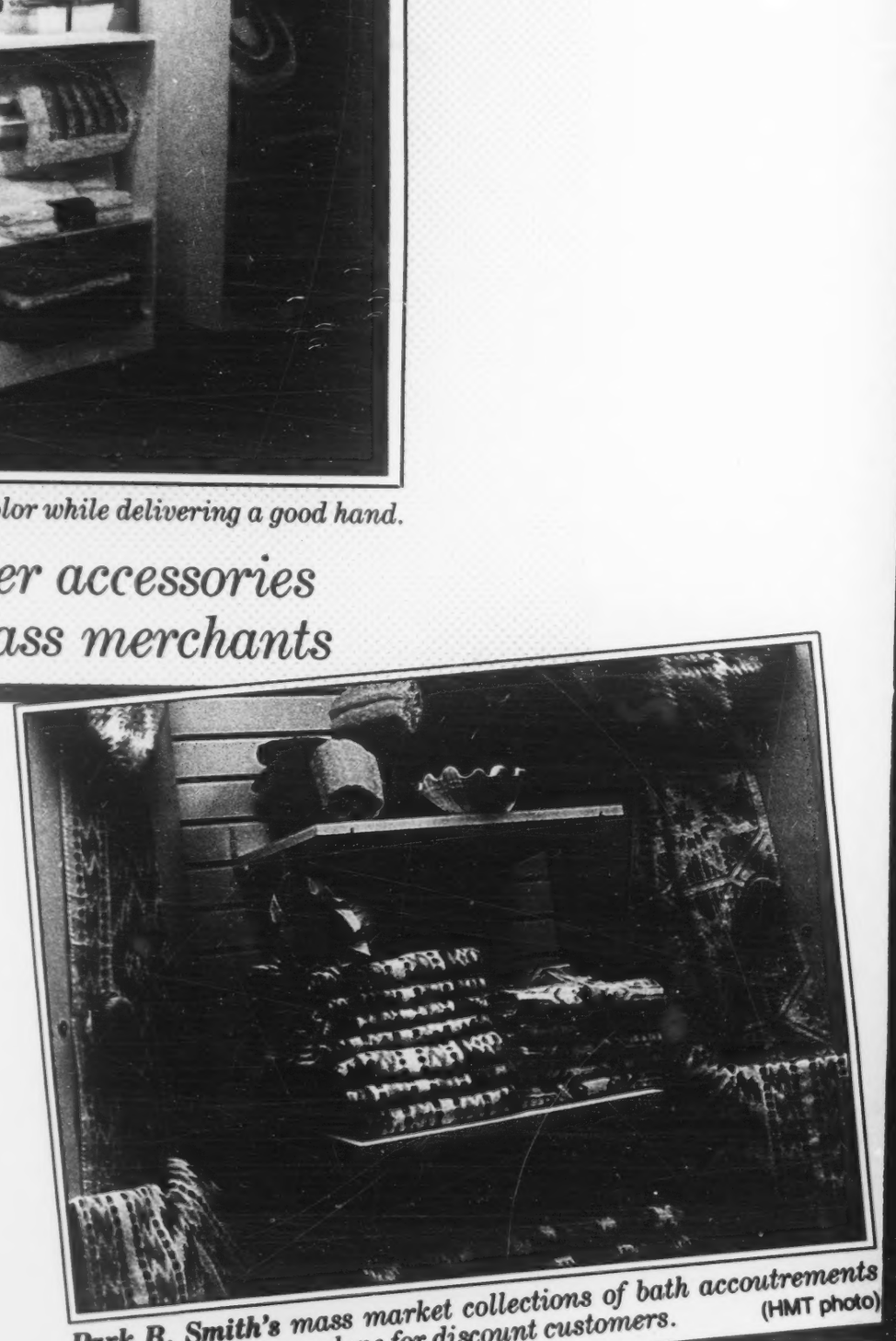
The acquisition comes at a time when the business is experiencing sales growth, but plagued with flat unit increases. Vendors are fighting to grow their business by grabbing larger market share.

The key to survival, vendors report, is to differentiate themselves from the rest of the pack. For some, such as industry leader Aladdin, that's meant offering customized retail programs and more intense efforts to offer the latest materials. Suppliers, such as Georgia Tufted Sales, Inc., have also implemented sophisticated systems to handle Electronic Data Interchange.

In the last year, 1005 Antron has revolutionized the business because it offered a cleaner, "better hand" feel that's been embraced by consumers. Other new fiber characteristics such as Hoechst's Dolan, a leader in European products (as seen by displays at the recent Heimtex exhibition), are set to become bigger players in the United States as consumers continue to seek better products.

BATH & SCATTER RUGS — 1989
UNIT SALES BY RETAIL OUTLET





***Park B. Smith's** mass market collections of bath accoutrements push the fashion envelope for discount customers.* (HMT photo)

Dolan, a 100% acrylic fiber, has a clean surface and lends itself to vibrant colors. There are also Dolan/Trevira blends. Hoechst has also kicked off a three-year limited warranty for its Trevira stain-resistant polyester. Fieldcrest Cannon is the first bath and accent rug to offer styles with Trevira carrying the warranty.

Mazouz Hussein, merchandise manager of domestics for Hills Department Stores, said customers aren't always aware of the type of content such as 1005 Antron. "But they can tell by the look and feel and so far it's been good for us," he said.

Customers also appreciate the quality of tabletop construction and Hills carries a racetrack rug from Maples. Some retailers believe there are some names with consumer recognition. Caldor, for instance, promotes DuPont nylon in its bath rug advertising.

While many of the major suppliers undergo consolidation, retailers are also paring their vendor lists (many only stock two or three lines now) in an effort to give customers more of want they want—color. "Over the last 18 months, we re-did our program to reduce sku's, but go deeper into color," offered Hussein.

Similar tactics are being employed by Kmart, Wal-Mart and Caldor. Instead of offering multiple sku's of shapes and styles, retailers are sending a clear message to shoppers that they can satisfy any color demand. The discount customer, retailers added, is more adventurous when it comes to color today.

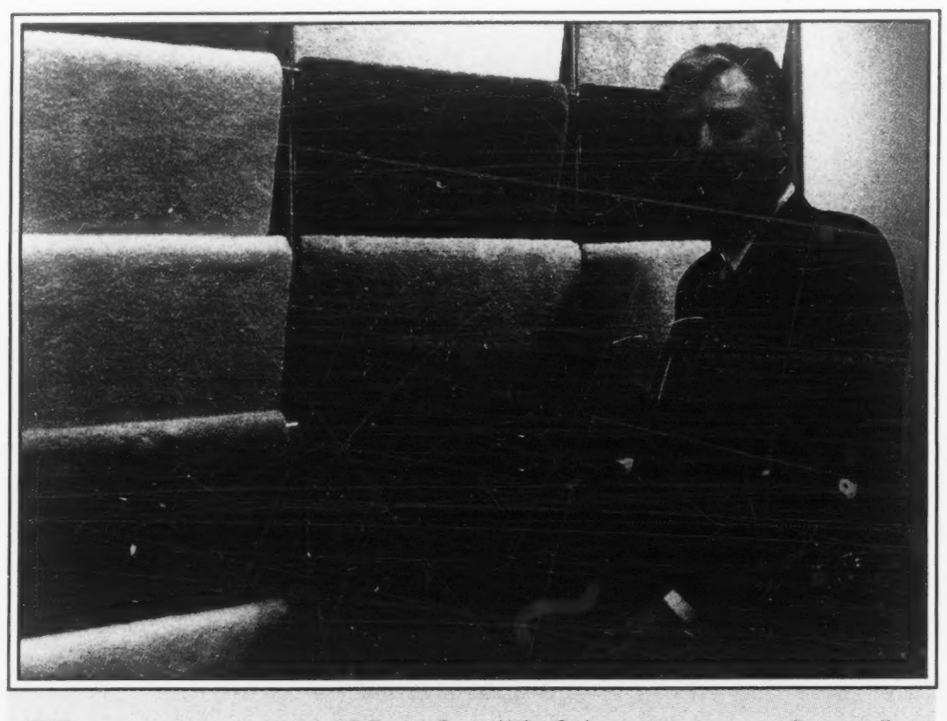
"We're seeing a real surge in green," added Ames' Stuart. Retailers also expect darker jewel tones to replace the lighter colors that have dominated for the past few years. According to Edward McNamee, president Georgia Tufted Sales, color palettes are shifting from pastels to deeper tones. Even black is selling better for bathrooms, he added. Blue and wine, however, remain the fastest movers in the mass market, according to Tom Draves, senior merchandise manager for Jamesway.

Although solid colors represent 80% of the bath rug business, some sources think multi-colored products will play a bigger role in the '90s.

At Maples Industries, John W. Maples III, advertising director, has seen greater interest in multi-dye items. Georgia Tufted's McNamee agreed and reported several of his accounts are adding multi-colored rugs as an option to solids. And, although the majority of the business is in 21-inch by 40-inch oblongs, many sources expect European-inspired shapes such as seashells, round shapes and geometric shapes to start grabbing market share.

However, since color drives the business, discounters have capitalized on color themes by creating customized programs such as Caldor's Color Codes by Aladdin.

Expanded color programs, retailers reported, have helped them lure a new type of customer, a shopper who may have turned to department or specialty stores in the past because they couldn't find the specific hue they needed. Also borrowing a leaf from department stores, mass retailers have coordinated all bath components.



'You can really build your sales by presenting a full solid color program.'

Bob Lieberman, vice president, Aladdin

"We have a program coordinating everything from shower curtain to tissue boxes," said Hussein of Hills.

Jamesway also teams up color for bath. However, Draves points out that many customers prefer darker bath rugs than towels or shower curtains.

Some chains have taken the "shop" concept to the next level. They've created boutique-style endcaps bringing together shower curtains, towels, bath rugs and even accessories. To date, the approach has had mixed results. At Hills, printed selections are placed on the endcaps. "It's a Catch 22," said Hussein, "you want fashion, but you also want the best return."

At Ames, buyer Stuart said one hurdle is executing the endcaps at store level. Another obstacle, suppliers added, is determining whether consumers prefer to buy matching patterns.

"There are two schools of thought," reported American Rug's Joe Barclay, vice president of marketing. "There are those who want everything coordinated and those who prefer contrasting." Added Bob Lieberman, a vice president of Aladdin: "You can really build your sales by presenting a full solid color program." He sees the situation as a dilemma for retailers because the coordinated looks create an upscale and fashion ambience, but solid color presentation of rugs brings in the dollars. Bagged ensembles (rugs, tank covers and lid covers), however, continue to be a winner at the mass market, he added. Five-piece bath sets are priced in the $7.99 to $15.99 range.

From a profit standpoint, one buyer added, it is important to promote cross-merchandising sales.

"We are forced to give towels away, but we can make 50% margins on bath mats. That's why we are emphasizing the coordinated looks."

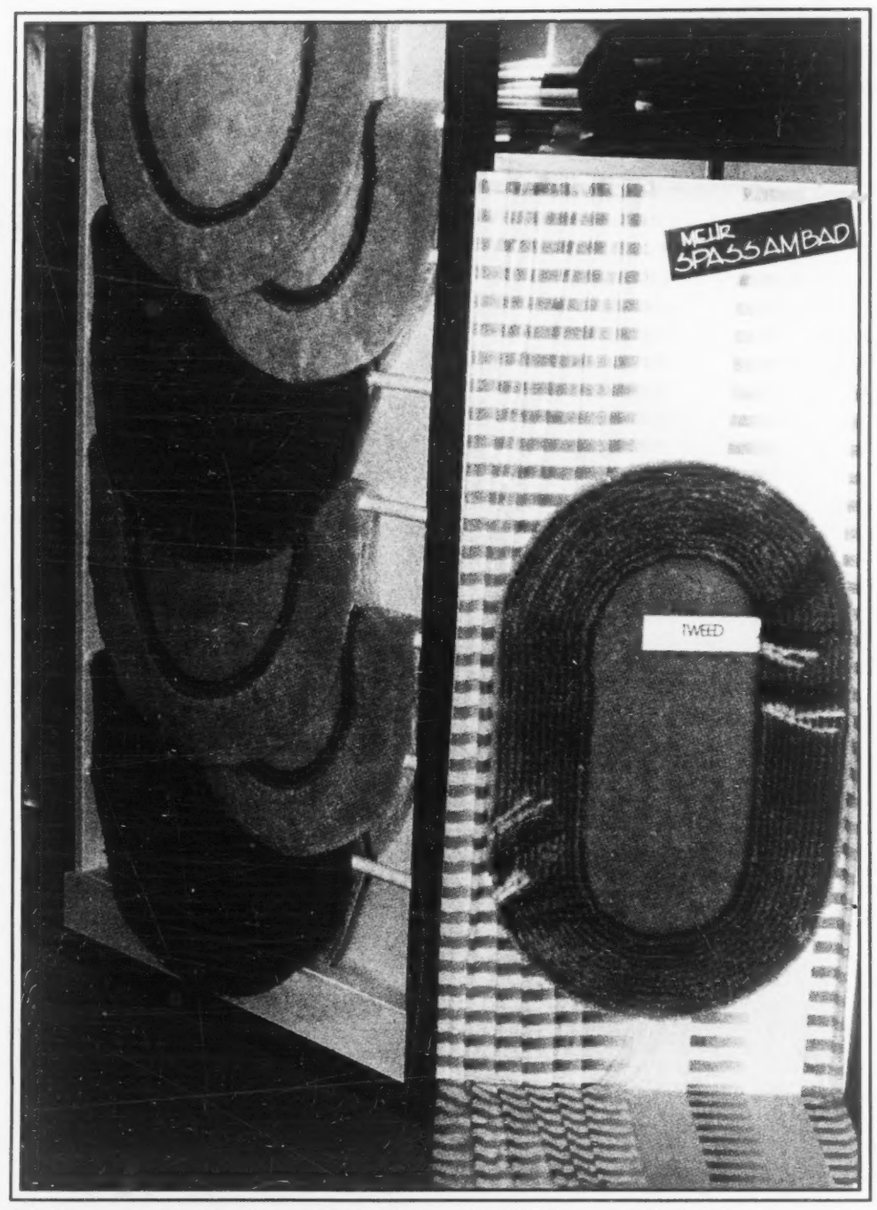
Several chains, however, are enjoying sales as high as $500 per square foot on a coordinated endcaps featuring towels, curtains, placemats and rugs created by Park B. Smith.

"I know placemats grouped with bath items sounds crazy," admitted Park B. Smith Jr., "but it works."

The program was tested at two Kmarts and is being rolled out to at least 80 more units. Kohl's has a Totally Home department with a 10-foot run of Park B. Smith coordinates and Ames is currently instituting the endcap. The supplier provides schematics and photos to ensure the endcap is easily reproduced at store level. Smith admits the decidedly upscale program isn't right for every operator. "We'll never be a basic resource," he chuckled.

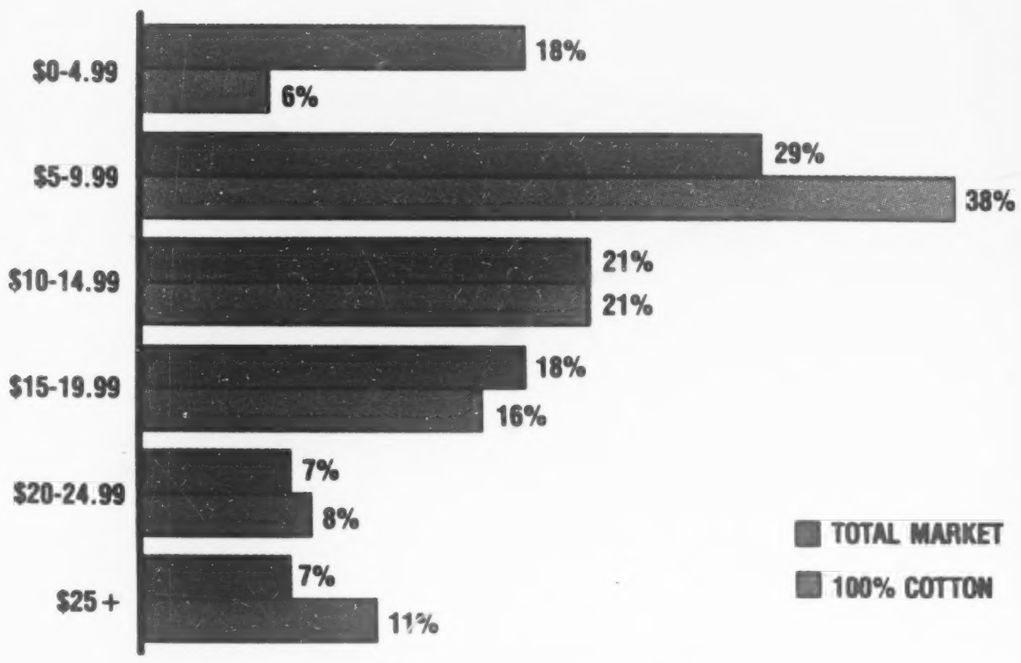
Despite the upgrading, consumers clearly still want value, retailers said. The magic price point in mass retailers remains just under $10. However, the newer products are starting to tempt discounters to add higher-ticket goods to the mix. Bath rugs remains a category driven by promotions. In fact, Caldor, Bradlees and Kmart all ran ads touting bath mats during the first weekend in March. Research from Kurt Salmon Associates reveals sales jump as much as nine percentage points when bath and scatter rugs are featured at a special price.

Concluded Draves at Jamesway, "It's a good way to remind shoppers that redecorating is a good way to give themselves a lift." ■



***Bath rugs featuring** 100% Dolan hold the new bright colors better and were a hit at Heimtex this year.*

BATH & SCATTER RUGS — 1989
UNIT SALES BY PRICE



Source: KSA/NPD

Responding to QuickResponse

Home textiles mills are No. 1 in reaping benefits of QR technology, according to Ernst & Young study

The textile industry, which overall has probably made the strongest commitment to QuickResponse of any business, has begun to reap major benefits from its initial use of this technology and will markedly expand the implementation of QR programs by next year.

That insight is contained in the most recent report on the textile industry's growing deployment of QR technology as the key to becoming more productive and profitable.

The study, Ernst & Young's 1990 Quick Response Survey of the Textile & Apparel Industries, stated that "it is important to note that the pace of implementation of the QR-related programs increases noticeably in the next two years. For textile manufacturers, the implementation level will have increased by 50%-75% in every program in the next two years."

The common belief has been that apparel manufacturers are the leaders in deploying QR. This isn't so, as the study went on to note: "For apparel manufacturers, implementation will proceed at an even faster pace, thereby *closing the gap* with textile manufacturers (italics added)."

Ken Reiss, national director of textile and apparel industry for Ernst & Young, said "this study shows that textile and apparel manufacturers are realizing the importance of sustaining the investments in these technologies even when the industry is experiencing financial difficulty. This is important because when business picks up again, so will the demand for distribution efficiency."

Textile manufacturers' commitment to QR reflect their heightened understanding of the uses and benefits of this technology. The study noted that 47% of the textile vendors had a high level of QR knowledge, while 34% had a moderate knowledge level. Only 19% were listed as having low understanding.

This extensive industry knowledge has resulted in slightly more textile manufacturers in the 1990 survey than in the 1988 study noting that QR will provide at least moderate benefits to their company. However, textile vendors expected the home fashion field overall to benefit from QR more than their own company.

The study noted that respondents see retailers as achieving the greatest benefit, then textile manufacturers and finally fiber producers. "It is interesting to note that 1990 survey respondents are more optimistic that every level in the manufacturering/distribution chain will achieve significant gains from implementation of QuickResponse strategies," the study stated.

Despite the growing industry-wide understanding about QR, the study also noted that textile executives felt their own company's commitment to this technology was much higher than the industry's overall support.

The study tracked textile vendors' current and future implementation of 11 different QR-related programs and found the following:

Over half those surveyed have already implemented quality management and cost management efforts, while just under half have done the same for planning/forecasting programs. Over 80% expected to have each of these three endeavors implemented within three to five years.

Product marketing (bar coding) has been implemented by just under 40% of those surveyed and three-quarters plan to have such programs running within three to five years.

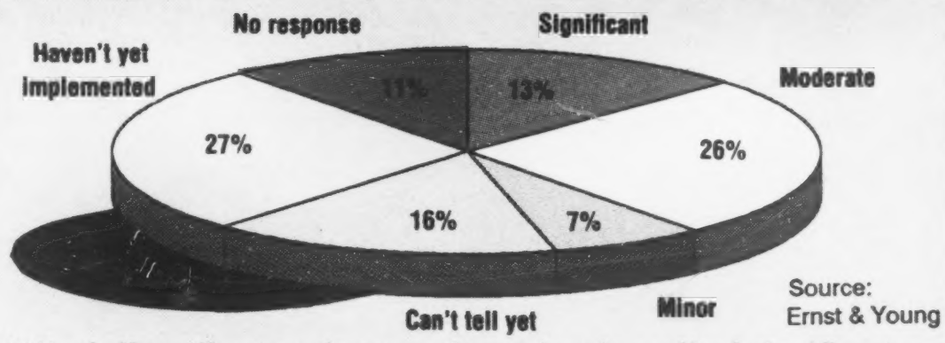
Anywhere from a quarter to almost 30% have started five other programs: flexible manufacturing/JIT, EDI with customers, shipping container marking, pilot program and EDI with suppliers. Within the next three to five years, 55% to 65% of the respondents expected to have these endeavors underway.

Trading partnerships with customers and with suppliers, the ultimate QR activities, have been implemented by the fewest number of textile manufacturers—less than a quarter—but almost half of those questioned expected to have such programs running within three to five years.

The current commitment to QR has resulted in 37% of the textile respondents reporting "significant" benefits, 26% noting "moderate" gains and 7% citing "minor" benefits. Another 26% said it was too early to note any benefits, while 27% have implemented this technology and 11% didn't respond to the query.

As for the specific benefits, the study tracked nine strategies. Improved customer relations scored the highest, closely followed by reduced lead time. Then came similar ratings for increased sales, improved quality and lower inventory levels, with the same scores for increase in return on investment and faster product development, and the same ranking for firmer margins and reduced incoming inspections of material. ■

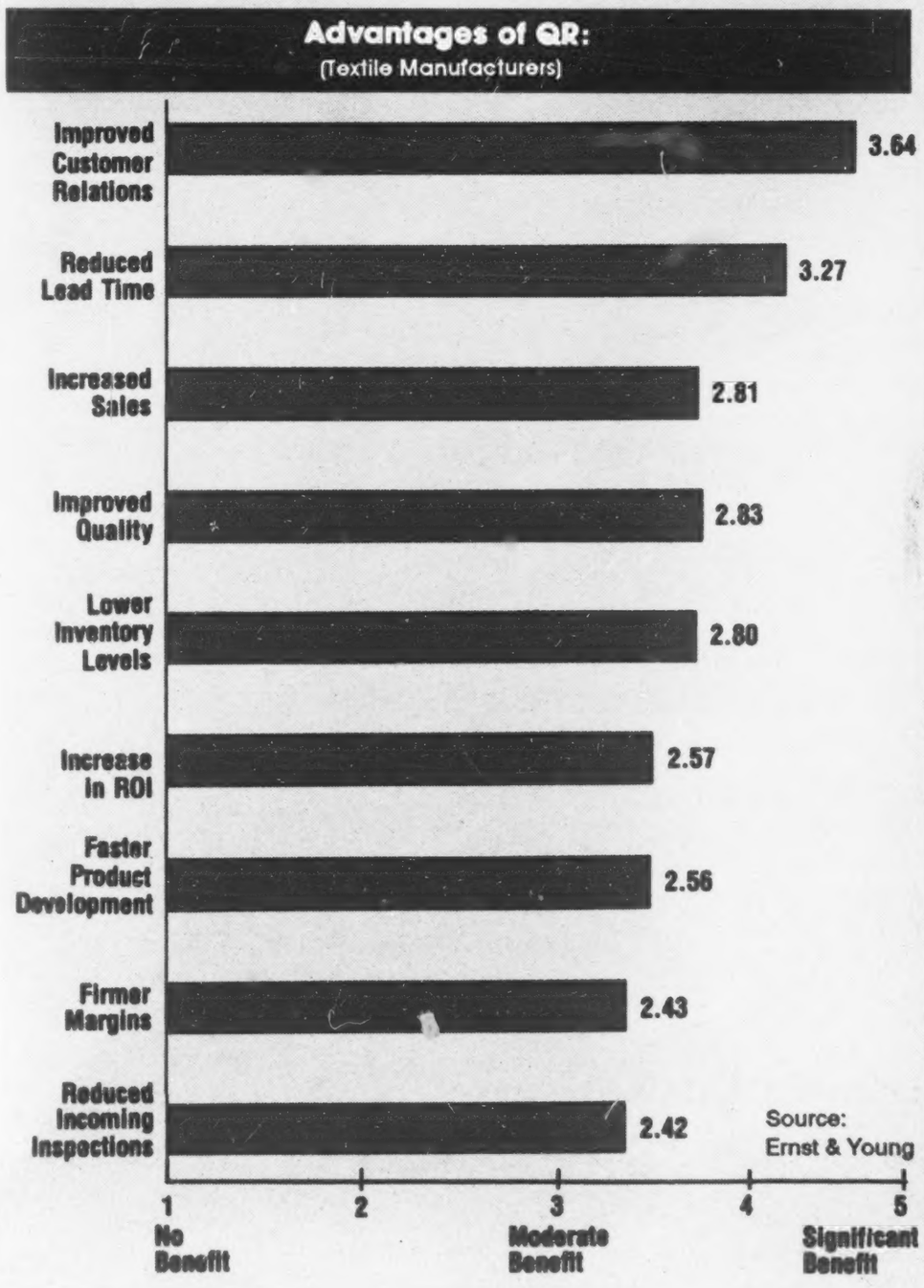
Degree of Benefits Realized
(By 228 Textile Manufacturers)



Source: Ernst & Young

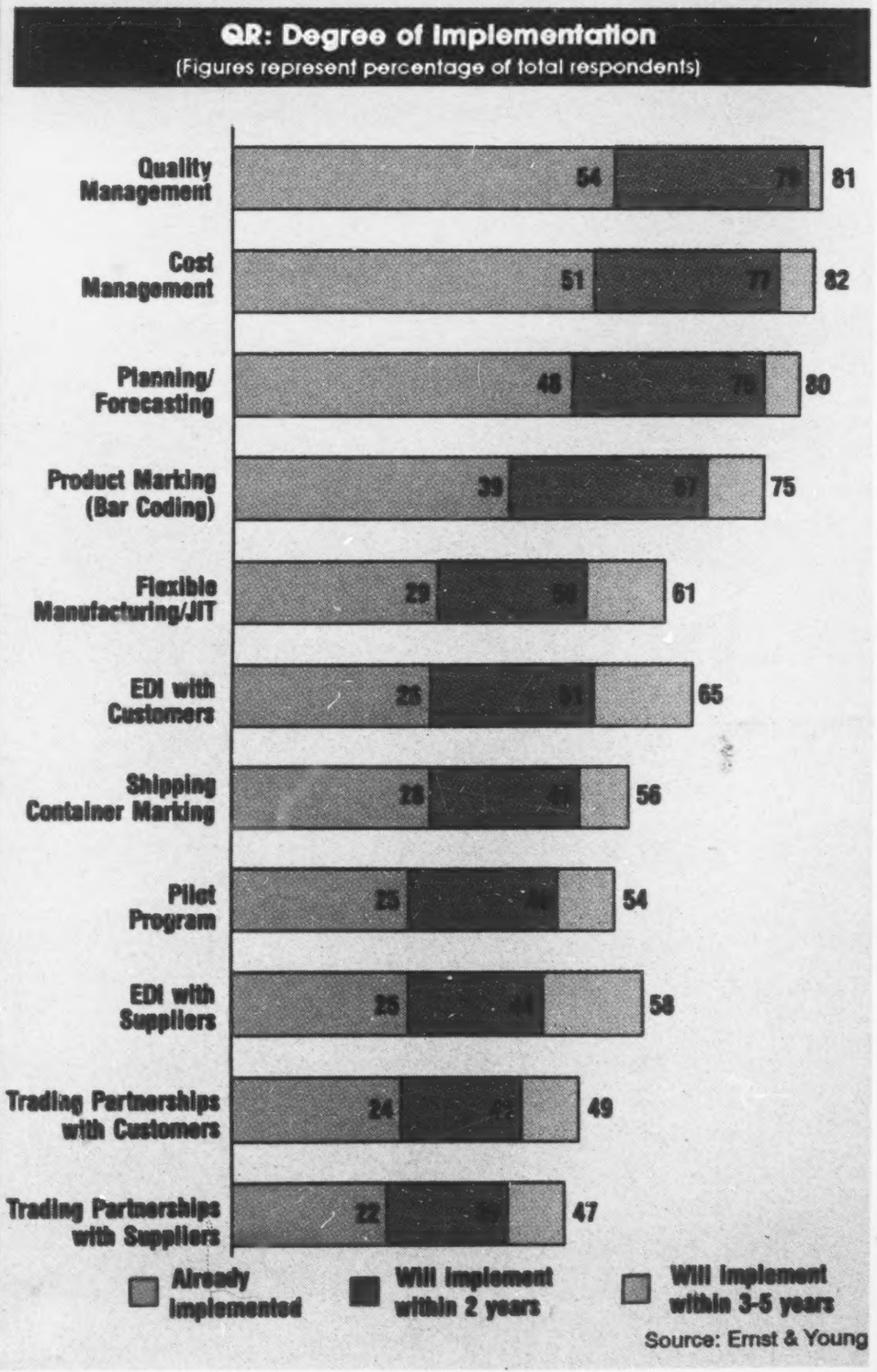
39% of all textile manufacturers have already realized significant or moderate benefit from implementation of Quick Response strategies. Half the respondents cannot make a judgment at this time (16% cannot tell yet and 27% haven't yet implemented QR strategies).

Advantages of QR:
(Textile Manufacturers)



Source: Ernst & Young

QR: Degree of Implementation
(Figures represent percentage of total respondents)



Source: Ernst & Young